



2016 International Narcotics Control Strategy Report (INCSR)

Bureau of International Narcotics and Law Enforcement Affairs

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Argentina

Volume II: Money Laundering and Financial Crimes

Countries/Jurisdictions of Primary Concern

Argentina

Institutionalized corruption, drug trafficking, high levels of informal and contraband trade, and an active informal exchange market present significant challenges for Argentina's AML/CFT regime. Contraband is smuggled into Argentina through the tri-border area (Argentina, Paraguay, and Brazil), and a very porous northern border shared with Bolivia and Paraguay, and through changes to shipping manifests designed to disguise the importer and the type of merchandise. The previous administration's use of currency controls to avoid balance of payments issues fostered a thriving black market for U.S. currency. During the first ten months of 2015, the unofficial exchange rate valued the dollar about 60 percent higher than the official government rate. Argentina controlled access to foreign currency to try to maintain its falling central bank reserves. President Macri, inaugurated December 20, 2015, quickly adopted economic policies to address a host of economic problems, including high inflation and disputes with foreign creditors.

Many Argentines prefer to hold their savings in U.S. dollars and/or dollar-denominated assets as a hedge against high inflation and potential peso devaluation. Even during periods of more liberal currency exchange, Argentina has a long history of capital flight and tax evasion. The latter is the predicate crime in the majority of money laundering cases. Argentines hold billions of U.S. dollars outside the formal financial system, both domestically and offshore, much of it legitimately earned, but not taxed.

The general vulnerabilities in the financial system also expose Argentina to a risk of terrorism financing.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found at: <http://www.state.gov/j/ct/rls/crt/>

Do FINANCIAL INSTITUTIONs engage in currency transactions related to international narcotics trafficking that include significant amounts of US currency; currency derived from illegal sales in the U.S.; or illegal drug sales that otherwise significantly affect the U.S.: YES

criminalizATIOn OF money laundering:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes

Are legal persons covered: criminally: YES **civilly:** YES

Know-your-customer (KYC) rules:

Enhanced due diligence procedures for PEPs: Foreign: YES **Domestic:** YES

KYC covered entities: Banks, financial companies, credit unions, trusts, tax authority, customs, currency exchange houses, casinos, athletic societies, securities dealers, insurance companies, accountants, notaries public, dealers in art and antiques, jewelers, real estate registries, real estate agents, money remitters, charitable organizations, auto and boat dealers, and postal services

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 25,589 in 2014

Number of CTRs received and time frame: Not available

STR covered entities: Banks, financial companies, credit unions, trusts, tax authority, customs, currency exchange houses, casinos, athletic societies, securities dealers, insurance companies, accountants, notaries public, dealers in art and antiques, jewelers, real estate registries, real estate agents, money remitters, charitable organizations, auto and boat dealers, and postal services

Money laundering criminal Prosecutions/convictions:

Prosecutions: Not available

Convictions: Not available

Records exchange mechanism:

With U.S.: MLAT: YES **Other mechanism:** YES

With other governments/jurisdictions: YES

Argentina is a member of the Financial Action Task Force of Latin America (GAFILAT), a FATF-style regional body. Its most recent mutual evaluation can be found at:

http://www.gafilat.org/UserFiles/Biblioteca/Evaluaciones/Argentina_3ra_Ronda_2010.pdf

Enforcement and implementation issues and comments:

While the Government of Argentina has established the legal authorities and structures necessary for an AML regime, implementation of that regime remains a challenge. Ongoing receipt of suspicious transaction reporting, including through online submission, demonstrates that the function has become institutionalized. The total number of suspicious transaction reports (STRs) dropped 29 percent in 2015, in part because the Financial Information Unit (UIF), the Argentine financial intelligence unit (FIU), raised the reporting threshold for savings and loan organizations. The thresholds had been low and had not been adjusted previously to account for inflation. The changes resulted in a 94 percent drop in reporting by the savings and loan sector. The UIF continues to face challenges in analyzing suspicious reporting information and converting analysis into actionable intelligence. To address these gaps, the UIF has developed a risk matrix and modernized reporting systems, including incorporating an online reporting capability. In addition, the Financial Crimes Enforcement Network (FinCEN), the U.S. financial intelligence unit, suspended

information sharing with the UIF in June 2015. This is the second suspension of information sharing between FinCEN and the UIF due to Argentina's unauthorized disclosure of intelligence that FinCEN had shared with the UIF. The first suspension took place in July 2009, and lasted three and a half years. This is a serious offense and FinCEN is evaluating next steps.

Program effectiveness, as measured by convictions and asset forfeiture, has been negligible. Since 1999, Argentina has successfully prosecuted only seven cases of money laundering. In general, money laundering cases are pursued by a chief prosecutor, working as part of a prosecutorial unit focused on six operating areas. Systematic deficiencies in Argentina's criminal justice system persist, including widespread delays in the judicial process and a lack of judicial independence.

In an effort to support judicial action, the UIF and the Economic and Money Laundering Prosecutor's Office (PROCELAC) have enhanced cooperation with judges and prosecutors throughout the country. In 2015, PROCELAC reported opening 101 preliminary investigations and responding to 140 requests for case collaboration. However, reporting suggests the majority of these actions have focused on investigating foreign currency outflows and tax evasion.

In 2014, the UIF responded to 213 requests for information or testimony from judges and prosecutors and issued eight administrative orders to freeze the assets of 18 entities believed to be involved in terrorist financing. As a result of this intervention, 11 state terrorists were captured, bringing the total to 21 terrorists captured since 2013 using CFT instruments. To date, the offenders have largely been former members of the military junta, and the majority has been charged with domestic terrorism related to crimes committed during military rule in Argentina (1976-1983). Argentina has not used its CFT regime to pursue international terrorism cases.

With its AML/CFT regime established through legal and regulatory structures, suspicious transaction reporting institutionalized, and information flowing more freely between branches of government, Argentina's challenge now is enforcement. Critical components of this effort will be demonstrating the country's commitment to the principles of transparency and good governance; fostering a universal culture of AML/CFT compliance; improving the ability to coordinate, investigate, and prosecute complex financial crimes efficiently; and increasing convictions.